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DCI TALKING POINTSSIG-I MEETING, 17 DECEMBER 1985

I have called you together today so that we may best continue in our ongoing task of integrating policy guidance across the entire counterintelligence and countermeasure spectrum. We will be reviewing key developments to thereby assist us.

The counterintelligence and security committees have been particularly active during the past year in identifying and addressing many specific problem issues. This has been and is being accomplished by single discipline and multi discipline committees and councils such as DCI committees and the National Telecommunications and Information Systems Security Committee, as well as by the SIG-I system and its Interagency Groups for Counterintelligence and Countermeasures.

The totality of this ongoing effort is what enables the SIG-I to carry out its unique responsibility as the integrator of policy guidance across the entire counterintelligence and countermeasure spectrum. This is why it is at the top of the CI and CM policymaking pyramid and why only the SIG structure has total CI and CM policymaking cognizance.

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As Chairman of the SIG-I, I continue to welcome the challenge thereby afforded to bolster our national security. In view of the multiplicity and complexity of the many and diverse efforts under way for improved counterintelligence and countermeasure capabilities and to assist our ongoing integration of CI and CM policy guidance, it is appropriate that we have a review of what is happening.

To further facilitate our involvement in CI and CM issues, I want the SIG structure, particularly its two IGs, to meet more often. We must continue to take the initiative for pulse-taking--for examining and taking remedial or bolstering actions with respect to the scope, adequacy, and direction of the activities of Community committees and councils. This includes both NSC and DCI level committees. All their output does not need to follow through the SIG structure, but they must continue to be subject to whatever reviews or examinations we deem appropriate.

I am also considering the preparation of a new SIG-I directive to help give added emphasis and strength to our ongoing policy integrating efforts, especially in the security field. We can also thereby reflect changes in Community structure, programs, and activities. For example, the Chairman of the IG/CM should be a designated member of the SIG-I whenever it meets on IG/CM matters. This is not now the case.

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With respect to the impending Congressionally required Counterintelligence Capabilities Improvements Report, I will have to wait for receipt of the SSCI report on what it believes needs to be done in CI and CM before deciding how the SIG-I system can best respond.

We expect that the SSCI will propose a national strategic security program. The SSCI's idea is that, at the national level, there should be some element that would, from an overall policy and implementation responsibility, integrate and combine the various committees and groups responsible for security, such as SECOM, Information Handling, NTISSC, and the IG/CM.

I think, however, as my comments clearly indicate, that we already have such a comprehensive policymaking structure, that it is working, and that only some such fine tuning as I have cited may be necessary.

The SIG-I system supplements but does not replace other executive branch policy recommending and implementing entities such as the DCI Security Committee, the NTISSC and the SIG for Technology Transfer. It does, however, have the capability for and mission of ensuring proper national-level coordination of all counterintelligence and countermeasure matters. Many national-level policy and legal issues are or should be developed or reviewed by the IGs and referred to the SIG-I with appropriate recommendations. The SIG-I, in turn, endorses

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courses of action or refers issues to the NSC for implementation decisions.

In my mind, there is no question that the SIG-I structure not only has the right but the duty to monitor, review, and provide integrating policy guidance across the entire counterintelligence and countermeasure spectrum. So much for the larger picture. What I propose to do now in furtherance of my objectives for this meeting is to touch briefly and summarily on some of the key counterintelligence and countermeasure/security developments which have occurred during the past year or so. Then I would like representatives of pertinent Intelligence Community committees to assist by further briefing us appropriately.

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EXECUTIVE SECRETARIAT**ROUTING SLIP**

TO:

| | | ACTION | INFO | DATE | INITIAL |
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| 2 | DDCI | | X | | |
| 3 | EXDIR | | X | | |
| 4 | D/ICS | | | | |
| 5 | DDI | | X | | |
| 6 | DDA | | X | | |
| 7 | DDO | | X | | |
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| 15 | D/PERS | | | | |
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| 17 | ES | | X | | |
| 18 | C/CI/DO | | X | | |
| 19 | NIO/FDIA | | X | | |
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SUSPENSE _____
Date

Remarks

Executive Secretary

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Date

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The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

85- 5014

ICS 6099-85

20 December 1985

MEMORANDUM FOR: Members, Senior Interagency Group - Intelligence

SUBJECT: Counterintelligence Capabilities Improvements Report

As we discussed at last Tuesday's meeting, the Intelligence Authorization Act (Section 402) requires that the President submit to the HPSCI and SSCI, with 120 days, a full report (with an interim report due within 60 days) on "the capabilities, programs, and policies of the United States to protect against, detect, monitor, counter, and limit intelligence activities by foreign powers, within and outside the United States, directed at United States Government activities or information, including plans for improvements which are within his authority to effectuate and recommendations for improvements which are not within his authority to effectuate."

I have asked General Richard Stilwell to oversee the preparation of this report. He will be supported by the Community Counterintelligence Staff.

This is a very important undertaking, both for the Community and for our relations with the Congress, and, therefore, deserves priority action by the SIG(I). Accordingly, I ask that you give General Stilwell your fullest cooperation.

Please provide the names of your personal representative to work on this report to Chief, CCIS, no later than Friday, 27 December 1985.

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William J. Casey
Chairman,

Senior Intelligence Group - Intelligence

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Central Intelligence Agency
Washington, D.C. 20505

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Executive Secretariat

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Minutes from Tuesday's
SIR(I) meeting.
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Central Intelligence Agency
Washington, D.C. 20505

Executive Secretariat

17 December 1985

NOTE FOR: DCI
DDCI

RE: SIG(I) on CI and Security Matters

Attached, at tabs, you will find:

- TAB A Revised agenda for today's meeting.
(Copies will be provided to attendees by IC Staff--due late hour, most likely when they arrive; however, calls have been made to those being called upon to alert them of changes.)
- TAB B List of those expected to attend.
- TAB C Copy of portion of Intelligence Authorization Act pertaining to "counterintelligence capabilities improvements report".
- TAB D Copies of exchange of correspondence between DCI and SecState re State lead in orchestrating overseas physical and technical security effort.



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SIG(I) Meeting

to

REVIEW COMMUNITY COUNTERINTELLIGENCE AND SECURITY MATTERS

1600. 17 December 1985

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- I. Introduction (DCI)
- II. Review of recent SSCI Hearings
 - DDCI to lead
 - Judge Webster and Don Latham to comment
- III. Congressionally Required "Counterintelligence Capabilities Improvements Report"

The Intelligence Authorization Act requires (Section 402) that the President submit to the HPSCI and SSCI within 120 days a full report (and an interim report within 60 days) on "the capabilities, programs, and policies of the United States to protect against, detect, monitor, counter, and limit intelligence activities by foreign powers, within and outside the United States, directed at United States Government activities or information, including plans for improvements which are within his authority to effectuate and recommendations for improvements which are not within his authority to effectuate." (The interim report would be due on 3 February.)

- SIG(I) needs to consider how to meet this requirement.
- Comments/recommendations to be solicited from those present.
- IV. Physical and Technical Security

A. Overseas

- Bob Lamb to review State's plans to orchestrate effort in this area (DCI and SecState have exchanged letters on this, and State is to take the lead, supported by the Intelligence Community, in this effort--a fall-out from the Inman Report.)

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- ~~DDCI~~ to comment on CIA role.

- [] to describe NSA role.

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- [] to provide SECOM perspective on this.

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B. Other

- Don Latham and [] to summarize COMSEC and COMPUSEC (Latham may touch on role of NTISSC here).

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V. Leaks

- [] to summarize current situation.
- Judge Webster to describe investigations by FBI, by other agencies and the use of polygraph.
- Mary Lawton to review DoJ policy re prosecution (including what is holding them back).
- Ken deGraffenreid to discuss status of SIG(I) recommendations on leaks as presented to NSC, and the implementation of NSDD 196 re use of polygraph.

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VI. Hostile Presence

- Dave Major to summarize activities of task force to implement NSDD 196 re hostile presence options decided upon by NSPG.
- Bob Lamb to describe how/when State will implement these options.
- Judge Webster to comment on effectiveness of this effort (also on magnitude of other, e.g. Chinese, hostile presence problems facing FBI).

VII. DoD Actions Flowing Out of Stilwell Report

- Dick Stilwell to summarize key recommendations, especially those with applicability to other departments/agencies.
- [] to provide commentary.
- Craig Alderman to note role for IG/CM on these.

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VIII. DCI Closing Remarks

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Attendees for 17 December 1985 SIG(I) Meeting

SIG(I) Membership (per EO 12333)

| | <u>Attendee/Designee</u> |
|---|--|
| DCI (Chairman) | DCI |
| Assistant to the President for National Security Affairs | Ken DeGraffenreid |
| Deputy Secretary of State | Mort Abramowitz |
| Deputy Secretary of Defense | Don Latham |
| Chairman, Joint Chiefs of Staff | Lt. Gen. John Moellering |
| Plus (when meeting to consider counterintelligence): | |
| Director, FBI | Judge Webster |
| Director, NSA | <div style="border: 1px solid black; width: 180px; height: 30px;"></div> |
| Plus representatives of other departments/agencies (by invitation of Chairman) with direct interest in intelligence activities considered: | |
| DDCI (for CIA) | DDCI |
| Attorney General | Mary Lawton |
| Chairman, IG/CM | Craig Alderman |

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Additional Attendees

| | |
|--|------|
| Bob Lamb (State) | |
| Dick Stilwell | |
| <div style="border: 1px solid black; width: 150px; height: 20px;"></div> (SECOM) | 25X1 |
| <div style="border: 1px solid black; width: 120px; height: 20px;"></div> (IHC) | 25X1 |
| David Major (NSC) | |
| <div style="border: 1px solid black; width: 150px; height: 20px;"></div> (CCIS) | 25X1 |
| <div style="border: 1px solid black; width: 100px; height: 20px;"></div> (CIA) | 25X1 |
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| <div style="border: 1px solid black; width: 100px; height: 20px;"></div> (NSA) | 25X1 |
| Ann Rondeau (DoJ -- accompanying Mary Lawton) | |
| James Geer (FBI) | |

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"(b) Funds available to an intelligence agency may not be made available for any intelligence or intelligence-related activity for which funds were denied by the Congress.

"(c) As used in this section—

"(1) the term 'intelligence agency' means any department, agency, or other entity of the United States involved in intelligence or intelligence-related activities;

"(2) the term 'appropriate congressional committees' means the Permanent Select Committee on Intelligence and the Committee on Appropriations of the House of Representatives and the Select Committee on Intelligence and the Committee on Appropriations of the Senate; and

"(3) the term 'specifically authorized by the Congress' means that—

"(A) the activity and the amount of funds proposed to be used for that activity were identified in a formal budget request to the Congress, but funds shall be deemed to be specifically authorized for that activity only to the extent that the Congress both authorized the funds to be appropriated for that activity and appropriated the funds for that activity; or

"(B) although the funds were not formally requested, the Congress both specifically authorized the appropriation of the funds for the activity and appropriated the funds for the activity."

(b) The table of contents at the end of the first section of such Act is amended by inserting the following after the item relating to section 501:

"Sec. 502. Funding of intelligence activities."

(c) The amendment made by Section 401(a) of this Act shall not apply with respect to funds appropriated to the Director of Central Intelligence under the heading "ENHANCED SECURITY COUNTERMEASURES CAPABILITIES" in the Supplemental Appropriations Act, 1985 (Public Law 99-88).

COUNTERINTELLIGENCE CAPABILITIES IMPROVEMENTS REPORT

SEC. 402. (a) Within 120 days after the date of enactment of this Act, the President shall submit to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate a report on the capabilities, programs, and policies of the United States to protect against, detect, monitor, counter, and limit intelligence activities by foreign powers, within and outside the United States, directed at United States Government activities or information, including plans for improvements which presently are within the authority of the executive branch to effectuate, and recommendations for improvements which would require legislation to effectuate.

(b) The report described in subsection (a) of this section shall be exempt from any requirement for publication or disclosure.

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The concern was expressed that extremely unusual circumstances could be imagined in which prior notice to congressional committees of an activity might not be required by Section 501 of the National Security Act of 1947, but the method of funding the activity might require prior notice to congressional committees under Section 502 of the National Security Act as contained in the conference report. The conferees do not expect such an issue to arise in practice, but if it should arise, resolution of the issue should be guided by the principles of comity and mutual understanding as set forth in the statement of managers accompanying the conference report which included Section 501 of the National Security Act (House Report 96-1350). Under all circumstances, legally required notifications to congressional committees must be provided. ?

~~Section 402~~

The House bill contained a provision requiring the Director of Central Intelligence to review and evaluate the vulnerability of confidential United States Government activities abroad, and information concerning such activities, to efforts by foreign powers to detect, monitor, or counter such activities, or to acquire such information. The DCI was to report to the House and Senate intelligence committees on these matters, including plans for improvements to reduce such vulnerabilities. The Senate bill contained no comparable provision.

The conference substitute requires the President, within 120 days after the date of enactment, to submit to the House and Senate intelligence

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committees a report on the capabilities, programs, and policies of the United States to protect against, detect, monitor, counter, and limit intelligence activities by foreign powers, within and outside the United States, directed at United States Government activities or information, including plans for improvements which are within his authority to effectuate and recommendations for improvements which are not within his authority to effectuate. This report is to be exempt from any requirement for publication or disclosure.

The conferees intend that the President will submit within sixty days of the date of enactment of H.R. 2419 an interim report on the same subject as the full report required to be submitted within 120 days of enactment. In developing these reports, the conferees expect the President to consult as appropriate with the intelligence committees with a view toward developing an agenda for action and to consider such information presented to those committees as those committees shall deem appropriate to make available to the President. Submission of the interim report within sixty days is of particular importance to the Senate conferees, since submission of the interim report will coincide with the preparation of a report to the Senate by the Senate Select Committee on Intelligence.

Section 403

Section 403 of the conference report is the same as Section 502(b) of the National Security Act as contained in Section 401(a) of the House bill, with the following changes : (1) Section 403 of the conference report applies only during fiscal year 1986 and (2) technical drafting changes such as renumbering

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In view of this Department's responsibility for security at overseas missions, State's new Bureau of Diplomatic Security will provide overall direction for the security reviews. Robert Lamb, the Director of the Bureau of Diplomatic Security, will represent me in this matter.

I would propose that we notify the Intelligence Oversight Committee of our agreement and our intention to develop a plan of action.

Sincerely yours,



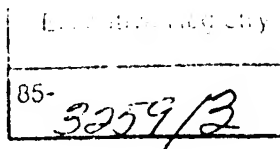
George P. Shultz

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DECL: OADR

The Director of Central Intelligence

Washington, D.C. 20505



10 October 1985

The Honorable George P. Shultz
The Secretary of State
Washington, D.C. 20520

Dear George:

The House version of the Intelligence Authorization Bill gives the Director of Central Intelligence 120 days "to review and evaluate the vulnerability of confidential United States Government activities abroad, and information concerning such activities, to efforts by foreign powers to detect monitor or counter such activities, or to acquire such information."

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The recent thorough inquiry of the Inman Panel into security in U.S. diplomatic missions, coupled with the complete inspection of information processing equipment in high threat posts, make it unlikely that an immediate general review within the specified time limits would produce more than a reprise of what has been done. Other efforts are under way both to enhance and further review security abroad. These include (a) coordination on a draft National Security Decision Directive to establish NSA-State-CIA "tiger teams" to test vulnerability of high risk posts by simulating the surveys and planning required for hostile technical penetration, and (b) action by both State and CIA to restructure their security organizations, including their technical surveillance countermeasures staffs, which bear the major responsibility for U.S. facilities abroad.

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Cooperation between the Offices of Security of State and CIA historically has been excellent, particularly with regard to technical countermeasures. CIA's Office of Research and Development is continuing important work on the Moscow new office building, begun under the auspices of my Security Committee. State Department security officers participate at all levels in the activities of that committee, including the chairmanship of its Security Advisory Group - USSR, which coordinates Intelligence Community support to the Moscow Embassy security effort. Another element of my Security Committee provides departments and agencies technical security policy guidance and training as well as analysis of technical penetration devices.

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I believe the interest of security can be served best by establishing a State Department-led effort, participated in by CIA and NSA, to conduct in-depth, on-site reviews of both the physical security and the technical security posture of every U.S. mission worldwide, including evaluation of their vulnerabilities and the hostile threat to their security integrity.

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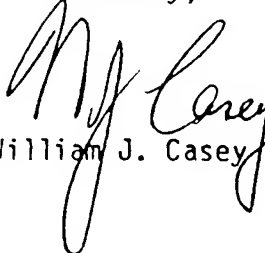
This proposal is for an ongoing, long-range program intended to safeguard all American facilities abroad on a continuing basis, not a short-lived response to the Moscow typewriter discoveries.

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I invite you to join me in notifying the intelligence oversight committees that we are establishing a continuing review as outlined in the paragraph above. If you agree, I offer the services of my Security Committee as an interagency host for the joint, State-chaired effort.

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Sincerely,


William J. Casey